

AMENDED IN ASSEMBLY JUNE 27, 2006

SENATE BILL

No. 1132

Introduced by Committee on Budget and Fiscal Review

January 10, 2006

An act relating to the Budget Act of 2006. An act to amend Sections 14556.8 and 63048.65 of, and to add Section 8592.7 to, the Government Code, to amend Sections 7102, 7105, and 7106 of, and to add Section 7104.3 to, the Revenue and Taxation Code, and to repeal and add Section 140.3 of the Streets and Highways Code, relating to transportation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1132, as amended, Committee on Budget and Fiscal Review. ~~Budget Act of 2006. Transportation.~~

(1) The Public Safety Communication Act of 2002 provides that the Public Safety Radio Strategic Planning Committee has primary responsibility in state government for developing and implementing a statewide integrated public safety communication system for state agencies, subject to specified criteria, including the annual submission of specified information to the Legislature.

This bill would require a proposal by a state agency for funding to support a new or modified radio system to be accompanied by a technical project plan, to include specified components, and to be reviewed by the committee for consistency with the statewide integrated public safety communication strategic plan included in the annual report, and by the Telecommunications Division within the Department of General Services for consistency with the technical requirements of the plan.

(2) Existing law, pursuant to Proposition 116 of 1990, an initiative act, creates the Public Transportation Account as a trust fund in the State Transportation Fund, and provides that funds are to be deposited in the account from a specified portion of the sales taxes on gasoline and diesel fuel, and are available for expenditure only for transportation planning and mass transportation purposes. These provisions may be amended by the Legislature only by a $\frac{2}{3}$ vote of both houses and only if the amending statute is consistent with, and furthers the purposes of, the initiative act.

This bill, for the 2006–07 fiscal year, would transfer \$200 million from the sales tax on gasoline to the Transportation Deferred Investment Fund that would otherwise be deposited in the Public Transportation Account. These revenues would be used as partial payment of amounts due to be paid to the Transportation Deferred Investment Fund no later than June 30, 2008. The bill would also specify the allocation of certain gasoline sales revenues that would be transferred to the Public Transportation Account in the 2006–07 fiscal year. The bill would make other conforming changes reflecting allocation of certain gasoline sales tax revenues in the 2006–07 fiscal year to the Bay Area Toll Account pursuant to Chapter 375 of the Statutes of 2005.

(3) Article XIX B of the California Constitution requires, commencing with the 2003–04 fiscal year, sales taxes on motor vehicle fuel that are deposited in the General Fund to be transferred to the Transportation Investment Fund for allocation to various transportation purposes. Article XIX B authorizes the transfer of these revenues to the Transportation Investment Fund to be suspended in whole or in part for a fiscal year during a fiscal emergency pursuant to a proclamation issued by the Governor and the enactment of a statute by a $\frac{2}{3}$ vote in each house of the Legislature if the statute does not contain any unrelated provision. Existing law requires an amount equivalent to the amount that would have been transferred in the absence of a suspension enacted in 2 specified fiscal years to be transferred by the Controller to the Transportation Deferred Investment Fund not later than June 30, 2008, or June 30, 2009, as applicable, for allocation to transportation purposes that would have been funded in the absence of a suspension, plus interest in certain cases.

This bill would appropriate \$495 million from the General Fund to the Transportation Deferred Investment Fund as partial payment of

the amounts due to that fund no later than June 30, 2009. The bill would also appropriate \$720 million from the General Fund to the Transportation Deferred Investment Fund as partial payment of the amounts due to that fund no later than June 30, 2008. The bill would specify the allocation of those funds along with the \$200 million transferred to the Transportation Deferred Investment Fund pursuant to paragraph (2) above, to various transportation programs that are funded by the Transportation Investment Fund.

The bill would also authorize the Department of Finance to adjust the budgeting, accounting, and reporting systems for the Transportation Investment Fund and the Transportation Deferred Investment Fund so that unliquidated encumbrances are not reflected in the fund balance or financial statement for each fund.

(4) Existing law provides for transfer of certain gasoline sales taxes to the Transportation Investment Fund, with a portion of those revenues to be available for transfer to the Transportation Congestion Relief Fund (TCRF) for allocation to specified transportation capital projects. Existing law authorized loans of up to \$654 million from the State Highway Account and \$280 million from the Public Transportation Account to the TCRF, which loans are to be repaid no later than June 30, 2007, and June 30, 2008, respectively. Existing law also requires interest to be paid relative to loans of State Highway Account funds in excess of \$180 million. Existing law authorizes a loan of funds in the TCRF to the General Fund to be repaid as soon as needed to support expected cash expenditures for projects to be funded from the TCRF, or from securitization of tribal gaming revenues or other resources, as specified.

This bill would delete the specific dates for repayment of loans made from the Public Transportation Account and the State Highway Account to the Transportation Congestion Relief Fund. The bill would instead require those accounts to be repaid at the time the Transportation Congestion Relief Fund is repaid by the General Fund under the above-referenced provisions.

(5) Existing law authorizes the California Infrastructure and Economic Development Bank to sell specified portions of compact assets, defined as moneys required to be paid to the state under specified provisions of designated tribal compacts and the state's rights to receive those payments, to a special purpose trust, which may issue bonds against those assets. The net proceeds of the sale of

the compact assets are required to be deposited into certain transportation funds in a specified order.

Existing law authorizes the loan of funds in the State Highway Account to the TCRF through the annual Budget Act, with interest to be calculated annually pursuant to a specified formula.

This bill would revise the amounts from the net proceeds of the sale of compact assets to be deposited into the TCRF and transferred into the State Highway Account and the Public Transportation Account pursuant to these provisions to reflect repayments of amounts owed to those accounts in the 2006–07 fiscal year, as described in paragraph (3) above. The bill would make other related changes. By revising the amount of funds to be deposited into a continuously appropriated fund, including the interest due, this bill would make an appropriation.

(6) Existing law provides that the Department of Transportation has full possession and control of the State Highway System and associated property. Existing law establishes a mechanism for the department to recover costs for the department’s mobile equipment services through assessments on the department’s divisions and programs, or local transportation authorities, as applicable, with proceeds to be deposited in the Equipment Service Fund.

This bill would repeal these provisions. The bill would transfer the assets, obligations, and encumbrances of the Equipment Service Fund to the State Highway Account.

(7) This bill would declare that it is to take effect immediately as an urgency statute.

~~*This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2006.*~~

Vote: majority ²/₃. Appropriation: no-yes. Fiscal committee: no-yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 *SECTION 1. Section 8592.7 is added to the Government*
- 2 *Code, to read:*
- 3 *8592.7. (a) A budget proposal submitted by a state agency for*
- 4 *support of a new or modified radio system shall be accompanied*
- 5 *by a technical project plan that includes all of the following:*
- 6 *(1) The scope of the project.*
- 7 *(2) Alternatives considered.*

1 (3) *Justification for the proposed solution.*

2 (4) *A project implementation plan.*

3 (5) *A proposed timeline.*

4 (6) *Estimated costs by fiscal year.*

5 (b) *The committee shall review the plans submitted pursuant to*
6 *subdivision (a) for consistency with the statewide integrated*
7 *public safety communication strategic plan included in the*
8 *annual report required pursuant to Section 8592.6.*

9 (c) *The Telecommunications Division of the Department of*
10 *General Services shall review the plans submitted pursuant to*
11 *subdivision (a) for consistency with the technical requirements of*
12 *the statewide integrated public safety communication strategic*
13 *plan included in the annual report required pursuant to Section*
14 *8592.6.*

15 SEC. 2. *Section 14556.8 of the Government Code is amended*
16 *to read:*

17 14556.8. (a) (1) To the extent necessary to provide adequate
18 cash to fund projected expenditures under this chapter, the
19 Director of Finance may authorize, by Executive order, the
20 transfer of not more than one hundred million dollars
21 (\$100,000,000), as an interest free loan, from the Motor Vehicle
22 Account in the State Transportation Fund to the TCRF, and the
23 transfer of any available funds, as an interest free loan, from the
24 General Fund to the TCRF. Loans from the Motor Vehicle
25 Account may be made no sooner than July 1, 2004, and shall be
26 repaid no later than July 1, 2007. The Director of Finance shall
27 not authorize a loan from the Motor Vehicle Account, and shall
28 promptly require the repayment of any outstanding balance owed
29 to that account, if the funds are needed in the account to make
30 expenditures authorized in the annual Budget Act and by any
31 other appropriations made by the Legislature.

32 (2) To provide cash needed for expenditures on projects listed
33 in Section 14556.40, the Legislature may authorize loans from
34 the Public Transportation Account or the State Highway Account
35 to the TCRF through the annual Budget Act. The Legislature
36 may also authorize the State Highway Account to expend funds
37 on behalf of projects listed in Section 14556.40 and those
38 expenditures shall constitute a loan to the TCRF. Loans from the
39 Public Transportation Account shall not exceed a cumulative
40 total of two hundred eighty million dollars (\$280,000,000), and

1 loans from the State Highway Account shall not exceed a
2 cumulative total of six hundred fifty-four million dollars
3 (\$654,000,000).

4 (b) The Director of Finance shall order the repayment of the
5 loans authorized under this section under those terms and
6 conditions that the director deems appropriate, upon determining
7 that there are adequate funds available for that purpose in the
8 TCRF and that repayment will not jeopardize the availability of
9 money needed to fund approved and projected expenditures
10 under this chapter. All loans from the Public Transportation
11 Account ~~shall be repaid by June 30, 2008, and all loans from the~~
12 ~~State Highway Account shall be repaid by June 30, 2007 at the~~
13 ~~time the TCRF is repaid pursuant to paragraph (2) of subdivision~~
14 ~~(c).~~ Upon the request of the commission or the Director of
15 Finance, the department shall provide a report, for purposes of
16 this subdivision, projecting the cash needs of the projects
17 approved under this chapter.

18 (c) (1) Money in the TCRF derived from the General Fund
19 and not currently needed for expenditures on the projects listed in
20 Section 14556.40 may be loaned to the General Fund through the
21 annual Budget Act.

22 (2) Upon making a determination that funds in the TCRF are
23 not adequate to support expected cash expenditures for the listed
24 projects, the Director of Finance, by Executive order, shall
25 require that funds loaned to the General Fund under paragraph
26 (1) be repaid to the TCRF. All these loans shall be repaid upon
27 the sale of bonds authorized by Article 6.5 (commencing with
28 Section 63048.6) of Chapter 2 of Division 1 of Title 6.7. If the
29 proceeds from those bonds are insufficient to repay the funds
30 loaned to the General Fund under paragraph (1), the remaining
31 amount of those loans shall be repaid from future tribal gaming
32 revenues, additional securitizations against those revenues, or
33 from the General Fund.

34 (3) Interest at the rate earned by the Surplus Money
35 Investment Fund shall be paid to the TCRF from the General
36 Fund with respect to the cumulative amount loaned from the
37 State Highway Account to the TCRF pursuant to paragraph (2) of
38 subdivision (a) that is in excess of one hundred eighty million
39 dollars (\$180,000,000). The amount of this interest obligation
40 shall be calculated annually on the balance of this portion of this

1 outstanding loan amount. All interest on the loan shall be paid in
2 full ~~on or before June 30, 2007 at the time the TCRF is repaid~~
3 *pursuant to paragraph (2)*, and the interest payment shall be
4 transferred from the TCRF to the State Highway Account.

5 (d) Funds loaned to the TCRF under this section shall be used
6 for purposes consistent with any restrictions on uses of those
7 funds imposed under the California Constitution or by statute.
8 The department shall identify specific projects to which those
9 funds may properly be applied and shall propose that application
10 of funds to the commission. The commission shall designate
11 projects to receive those funds through the processes described in
12 Article 3 (commencing with Section 14556.10) and Article 4
13 (commencing with Section 14556.25). The department shall
14 report periodically to the commission and the Department of
15 Finance on the expenditure of those funds.

16 (e) This section shall become inoperative ~~on July 1, 2008, and,~~
17 ~~as of January 1, 2009, is repealed, unless a later enacted statute,~~
18 ~~that becomes operative on or before January 1, 2009, deletes or~~
19 ~~extends the dates on which it becomes inoperative and is~~
20 ~~repealed upon full repayment of loans authorized by this section,~~
21 *and shall be repealed on January 1 of the following year.*

22 SEC. 3. *Section 63048.65 of the Government Code is*
23 *amended to read:*

24 63048.65. (a) Upon a filing by the Director of Finance with
25 the bank of a list of designated tribal compacts and the specific
26 portions of the compact assets to be sold, the bank may sell for,
27 and on behalf of, the state, solely as its agent, those specific
28 portions of the compact assets to a special purpose trust. To that
29 end, a special purpose trust is hereby established as a
30 not-for-profit corporation solely for that purpose and for the
31 purposes necessarily incidental thereto. The bank may enter into
32 one or more sales agreements with the special purpose trust on
33 terms it deems appropriate, which may include covenants of, and
34 binding on, the state necessary to establish and maintain the
35 security of the bonds and exemption of interest on the bonds
36 from federal income taxation. The portion of the compact assets
37 to be sold shall be an amount or amounts determined by the
38 Director of Finance that are necessary to provide the state with
39 net proceeds of the sale, not to exceed one billion five hundred
40 million dollars (\$1,500,000,000), exclusive of capitalized interest

1 on the bonds and any costs incurred by the bank or the special
2 purpose trust in implementing this article, including, but not
3 limited to, the cost of financing one or more reserve funds, any
4 credit enhancements, costs incurred in the issuance of bonds, and
5 operating expenses. Those specific portions of the compact assets
6 may be sold at one time or from time to time.

7 (b) The special purpose trust may issue bonds, including, but
8 not limited to, refunding bonds, on the terms it shall determine,
9 and do all things contemplated by, and authorized by, this
10 division with respect to the bank, and enjoy all rights, privileges,
11 and immunities the bank enjoys pursuant to this division, or as
12 authorized by Section 5140 of the Corporations Code with
13 respect to public benefit nonprofit corporations, or as necessary
14 or appropriate in connection with the issuance of bonds, and may
15 enter into agreements with any public or private entity and
16 pledge the compact assets that it purchased as collateral and
17 security for its bonds. However, to the extent of any conflict
18 between any of the foregoing and the provisions of this article,
19 the provisions of this article shall control. The pledge of any of
20 these assets and of any revenues, reserves, and earnings pledged
21 in connection with these assets shall be valid and binding in
22 accordance with its terms from the time the pledge is made, and
23 amounts so pledged and thereafter received shall immediately be
24 subject to the lien of the pledge without the need for physical
25 delivery, recordation, filing, or other further act. The special
26 purpose trust, and its assets and income, and bonds issued by the
27 special purpose trust, and their transfer and the income
28 therefrom, shall be exempt from all taxation by the state and by
29 its political subdivisions.

30 (c) (1) The net proceeds of the sale of compact assets by the
31 bank shall be deposited in the following order:

32 (A) One billion two hundred ~~twenty-two~~ million dollars
33 ~~(\$1,222,000,000)~~ (\$1,200,000,000) *plus any interest due*
34 *pursuant to paragraph (3) of subdivision (c) of Section 14556.8,*
35 *to the Traffic Congestion Relief Fund for the purpose of funding*
36 *or reimbursing the cost of projects, programs, and activities*
37 *permitted and necessary to be funded by that fund in accordance*
38 *with applicable law, and to repay loans made from the State*
39 *Highway Account and the Public Transportation Account to the*

1 *Traffic Congestion Relief Fund pursuant to Section 14556.8, in*
2 *the following priority order:*

3 (i) ~~Transfer of four hundred—sixty-five~~ *forty-three* million
4 ~~dollars—(\$465,000,000)~~ *(\$443,000,000) plus any interest due*
5 *pursuant to paragraph (3) of subdivision (c) of Section 14556.8,*
6 *to the State Highway Account for project expenditures.*

7 (ii) Two hundred ninety million dollars (\$290,000,000) for
8 allocation to Traffic Congestion Relief Program projects.

9 (iii) ~~Three—Two hundred—eighty-four~~ *seventy-five* million
10 ~~dollars—(\$384,000,000)~~ *(\$275,000,000) to be allocated equally, as*
11 ~~funds become available, for both of the following:~~

12 ~~(I) To the Public Transportation Account for project~~
13 ~~expenditures.~~

14 ~~(II) For advanced repayments of local street and road projects~~
15 ~~due for funding in the 2008–09 fiscal year.~~

16 ~~(iv) Eighty-three million dollars (\$83,000,000) to the Public~~
17 ~~Transportation Account for project expenditures.~~

18 ~~(v) Advanced funding of State Transit Assistance loans due~~
19 ~~for funding in the 2008–09 fiscal year.~~

20 *(iv) All remaining funds for allocation to Traffic Congestion*
21 *Relief Program projects.*

22 (B) To the Transportation Deferred Investment Fund, an
23 amount up to the outstanding amount of the suspension of the
24 2004–05 fiscal year transfer of the sales tax on gasoline to the
25 Transportation Investment Fund pursuant to requirements of
26 Article XIX B of the California Constitution.

27 (C) To the Transportation Deferred Investment Fund, an
28 amount up to the outstanding amount of the suspension of the
29 2003–04 fiscal year transfer of the sales tax on gasoline to the
30 Transportation Investment Fund pursuant to requirements of
31 Article XIX B of the California Constitution.

32 (2) Notwithstanding paragraph (1), if and to the extent it is
33 necessary to ensure to the maximum extent practicable the
34 eligibility for exclusion from taxation under the federal Internal
35 Revenue Code of interest on the bonds to be issued by the special
36 purpose trust, the Director of Finance may adjust the application
37 of proceeds not eligible for exclusion from taxation among the
38 authorized funds described in paragraph (1). The Department of
39 Finance shall submit a report to the Legislature describing any
40 proposed changes among the authorized funds in paragraph (1),

1 and consistent with this paragraph, at least 30 days prior to
2 issuing the bonds pursuant to this article. Amounts deposited in
3 the Traffic Congestion Relief Fund pursuant to paragraph (1)
4 shall be applied as a credit to transfers from the General Fund
5 that the Controller would otherwise be required to make to that
6 fund. Amounts deposited in the Transportation Deferred
7 Investment Fund shall be expended in conformance with
8 Sections 7105 and 7106 of the Revenue and Taxation Code, and
9 the amounts so deposited shall also be applied as a credit to the
10 transfers from the General Fund that the Controller would
11 otherwise be required to make under those sections. The
12 Legislature hereby finds and declares that the deposits and credits
13 described in this subdivision do not constitute the use of the
14 proceeds of bonds or other indebtedness to pay a year-end state
15 budget deficit as prohibited by subdivision (c) of Section 1.3 of
16 Article XVI of the California Constitution. Subject to any
17 constitutional limitation, the use and application of the proceeds
18 of any sale of compact assets or bonds shall not in any way affect
19 the legality or validity of that sale or those bonds.

20 (d) Funds received from amended tribal-state compacts, or
21 new compacts entered into and ratified on or after the effective
22 date of this article, pursuant to Section 4.3.1 of the amended
23 compacts, or the comparable section in new compacts, as
24 specified in those compacts, that are neither sold to the special
25 purpose trust nor otherwise appropriated, and funds received as a
26 result of the state's acquisition of an ownership interest in any
27 residual interest in compact assets attributable to Section 4.3.1 of
28 the amended compacts, or the comparable section in new
29 compacts, as specified in those compacts, shall be remitted to the
30 California Gambling Control Commission for deposit in the
31 General Fund.

32 (e) Funds received from amended tribal-state compacts, or
33 new compacts entered into and ratified on or after the effective
34 date of this article, pursuant to Section 4.3.3 of the amended
35 compacts, or the comparable section in new compacts, as
36 specified in those compacts, shall be held in an account within
37 the Special Deposit Fund until those funds are sold or otherwise
38 applied pursuant to this subdivision. From time to time, at the
39 direction of the Director of Finance, any moneys in this account
40 shall be deposited and applied in accordance with subdivision (c)

1 or shall be deemed to be compact assets for purposes of sale to
2 the special purpose trust pursuant to this article. If the Director of
3 Finance determines that the bonds authorized pursuant to this
4 article cannot be successfully issued by the special purpose trust,
5 funds within the account shall be deposited in accordance with
6 subdivision (c). In addition, all subsequent revenues remitted
7 pursuant to Section 4.3.3 of the amended compacts, or the
8 comparable section in new compacts, as specified in those
9 compacts, and funds received as a result of the state's acquisition
10 of an ownership interest in any residual interest in compact assets
11 attributable to Section 4.3.3 of the amended compacts, or the
12 comparable section in new compacts, as specified in those
13 compacts, shall be used to satisfy the purposes of subdivision (c).
14 When the amounts described in subdivision (c) have been paid to
15 the funds named in that subdivision either pursuant to this article
16 or by other appropriations or transfers, thereafter the revenues
17 received by the state from Section 4.3.3 of the compact shall be
18 remitted to the California Gambling Control Commission for
19 deposit in the General Fund.

20 (f) The principal office of the special purpose trust shall be
21 located in the County of Sacramento. The articles of
22 incorporation of the special purpose trust shall be prepared and
23 filed, on behalf of the state, with the Secretary of State by the
24 bank. The members of the board of directors of the bank as of the
25 effective date of this article, the Director of the Department of
26 Transportation, and the Director of General Services, shall each
27 serve ex officio as the directors of the special purpose trust. Any
28 of these directors may name a designee to act on his or her behalf
29 as a director of the special purpose trust. The Director of Finance
30 or his or her designee shall serve as chair of the special purpose
31 trust. Directors of the special purpose trust shall not be subject to
32 personal liability for carrying out the powers and duties conferred
33 by this article. The Legislature hereby finds and declares that the
34 duties and responsibilities of the directors of the special purpose
35 trust and the duties and responsibilities of the Director of Finance
36 established under this article are within the scope of the primary
37 duties of those persons in their official capacities. The special
38 purpose trust shall be treated as a separate legal entity with its
39 separate corporate purpose as described in this article, and the

1 assets, liabilities, and funds of the special purpose trust shall be
2 neither consolidated nor commingled with those of the bank.

3 *SEC. 4. Section 7102 of the Revenue and Taxation Code is*
4 *amended to read:*

5 7102. The money in the fund shall, upon order of the
6 Controller, be drawn therefrom for refunds under this part,
7 credits or refunds pursuant to Section 60202, and refunds
8 pursuant to Section 1793.25 of the Civil Code, or be transferred
9 in the following manner:

10 (a) (1) All revenues, less refunds, derived under this part at
11 the $4\frac{3}{4}$ -percent rate, including the imposition of sales and use
12 taxes with respect to the sale, storage, use, or other consumption
13 of motor vehicle fuel which would not have been received if the
14 sales and use tax rate had been 5 percent and if motor vehicle
15 fuel, as defined for purposes of the Motor Vehicle Fuel License
16 Tax Law (Part 2 (commencing with Section 7301)), had been
17 exempt from sales and use taxes, shall be estimated by the State
18 Board of Equalization, with the concurrence of the Department
19 of Finance, and shall be transferred quarterly to the Public
20 Transportation Account, a trust fund in the State Transportation
21 Fund, *except as modified as follows:*

22 (A) For the 2001–02 fiscal year, those transfers may not be
23 more than eighty-one million dollars (\$81,000,000) plus one-half
24 of the amount computed pursuant to this paragraph that exceeds
25 eighty-one million dollars (\$81,000,000).

26 (B) For the 2002–03 fiscal year, those transfers may not be
27 more than thirty-seven million dollars (\$37,000,000) plus
28 one-half of the amount computed pursuant to this paragraph that
29 exceeds thirty-seven million dollars (\$37,000,000).

30 (C) For the 2003–04 fiscal year, no transfers shall be made
31 pursuant to this paragraph, except that if the amount to be
32 otherwise transferred pursuant to this paragraph is in excess of
33 eighty-seven million four hundred fifty thousand dollars
34 (\$87,450,000), then the amount of that excess shall be
35 transferred.

36 (D) For the 2004–05 fiscal year, no transfers shall be made
37 pursuant to this paragraph, and of the amount that would
38 otherwise have been transferred, one hundred forty million
39 dollars (\$140,000,000) shall instead be transferred to the Traffic
40 Congestion Relief Fund as partial repayment of amounts owed by

1 the General Fund pursuant to Item 2600-011-3007 of the Budget
2 Act of 2002 (Chapter 379 of the Statutes of 2002).

3 (E) For the 2005–06 fiscal year, no transfers shall be made
4 pursuant to this paragraph.

5 (F) For the 2006–07 fiscal year, ~~no transfers shall be made~~
6 ~~pursuant to this paragraph, except that if the amount to be~~
7 ~~otherwise transferred pursuant to this paragraph is in excess of~~
8 ~~two hundred million dollars (\$200,000,000), then the amount of~~
9 ~~that excess shall be transferred~~ *the revenues estimated pursuant*
10 *to this paragraph shall, notwithstanding any other provision of*
11 *this paragraph or any other provision of law, be transferred and*
12 *allocated as follows:*

13 (i) *The first two hundred million dollars (\$200,000,000) shall*
14 *be transferred to the Transportation Deferred Investment Fund*
15 *as partial repayment of the amounts owed by the General Fund*
16 *to that fund pursuant to Section 7106.*

17 (ii) *The next one hundred twenty-five million dollars*
18 *(\$125,000,000) shall be transferred to the Bay Area Toll Account*
19 *for expenditure pursuant to Section 188.6 of the Streets and*
20 *Highways Code.*

21 (iii) *Of the remaining revenues, thirty-three million dollars*
22 *(\$33,000,000) shall be transferred to the Public Transportation*
23 *Account to support appropriations from that account in the*
24 *Budget Act of 2006.*

25 (iv) *The remaining revenues shall be transferred to the Public*
26 *Transportation Account for allocation as follows:*

27 (I) *Twenty percent to the Department of Transportation for*
28 *purposes of Section 99315 of the Public Utilities Code.*

29 (II) *Forty percent to the Controller, for allocation pursuant to*
30 *Section 99314 of the Public Utilities Code.*

31 (III) *Forty percent to the Controller, for allocation pursuant to*
32 *Section 99313 of the Public Utilities Code.*

33 (2) All revenues, less refunds, derived under this part at the 4
34 ~~3/4-~~^{3/4}-percent rate, resulting from increasing, after December 31,
35 1989, the rate of tax imposed pursuant to the Motor Vehicle Fuel
36 License Tax Law on motor vehicle fuel, as defined for purposes
37 of that law, shall be transferred quarterly to the Public
38 Transportation Account, a trust fund in the State Transportation
39 Fund.

(3) All revenues, less refunds, derived under this part at the 3/4-percent rate from the imposition of sales and use taxes on fuel, as defined for purposes of the Use Fuel Tax Law (Part 3 (commencing with Section 8601)) and the Diesel Fuel Tax Law (Part 31 (commencing with Section 60001)), shall be estimated by the State Board of Equalization, with the concurrence of the Department of Finance, and shall be transferred quarterly to the Public Transportation Account, a trust fund in the State Transportation Fund.

(4) All revenues, less refunds, derived under this part from the taxes imposed pursuant to Sections 6051.2 and 6201.2 shall be transferred to the Sales Tax Account of the Local Revenue Fund for allocation to cities and counties as prescribed by statute.

(5) All revenues, less refunds, derived from the taxes imposed pursuant to Section 35 of Article XIII of the California Constitution shall be transferred to the Public Safety Account in the Local Public Safety Fund created in Section 30051 of the Government Code for allocation to counties as prescribed by statute.

(b) The balance shall be transferred to the General Fund.

(c) The estimates required by subdivision (a) shall be based on taxable transactions occurring during a calendar year, and the transfers required by subdivision (a) shall be made during the fiscal year that commences during that same calendar year. Transfers required by paragraphs (1), (2), and (3) of subdivision (a) shall be estimated by the State Board of Equalization, with the concurrence of the Department of Finance, and shall be made quarterly.

(d) Notwithstanding the designation of the Public Transportation Account as a trust fund pursuant to subdivision (a), the Controller may use the Public Transportation Account for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code. The loans shall be repaid with interest from the General Fund at the Pooled Money Investment Account rate.

(e) The Legislature may amend this section, by statute passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, if the statute is consistent with, and furthers the purposes of this section.

1 *SEC. 5. Section 7104.3 is added to the Revenue and Taxation*
2 *Code, to read:*

3 *7104.3. Notwithstanding any other provision of law, the*
4 *Department of Finance may adjust the budgeting, accounting,*
5 *and reporting system for the Transportation Investment Fund so*
6 *that unliquidated encumbrances are not reflected in the fund*
7 *balance or financial statement.*

8 *SEC. 6. Section 7105 of the Revenue and Taxation Code is*
9 *amended to read:*

10 7105. (a) The Transportation Deferred Investment Fund is
11 hereby created in the State Treasury.

12 (b) On or before June 30, 2009, the Controller shall transfer an
13 amount from the General Fund to the Transportation Deferred
14 Investment Fund that is equal to the amount that was not
15 transferred from the General Fund to the Transportation
16 Investment Fund for the 2003–04 fiscal year because of the
17 partial suspension of the transfer pursuant to Section 14557 of
18 the Government Code, plus interest calculated at the Pooled
19 Money Investment Account rate relative to the amounts that
20 would otherwise have been available for the transportation
21 programs described in paragraphs (2) to (5), inclusive, of
22 subdivision (c) of Section 7104. The amount to be transferred
23 from the General Fund to the Transportation Deferred Investment
24 Fund shall be reduced by the amount of any payment made to the
25 Transportation Deferred Investment Fund from any funding
26 source, excluding subdivision (d). The moneys deposited in the
27 Transportation Deferred Investment Fund pursuant to this
28 subdivision ~~is~~ *are* continuously appropriated without regard to
29 fiscal years for disbursement in the manner and for the purposes
30 set forth in this section.

31 (c) The Controller, from the moneys deposited in the
32 Transportation Deferred Investment Fund pursuant to subdivision
33 (b), shall make transfers and apportionments of those funds in the
34 same manner and amounts that would have been made in the
35 2003–04 fiscal year from the Transportation Investment Fund
36 pursuant to Section 7104, as that section read on January 1, 2003,
37 if the transfer of funds from the General Fund to the
38 Transportation Investment Fund had not been partially suspended
39 for the 2003–04 fiscal year pursuant to Section 14557 of the
40 Government Code. However, in making those transfers and

1 apportionments, the Controller shall take into account and deduct
2 therefrom any transfers and apportionments that were made from
3 the Transportation Investment Fund in the 2003–04 fiscal year
4 from funds made available pursuant to subdivision (b) of Section
5 14557 of the Government Code. It is the intent of the Legislature
6 that, upon completion of the transfer of funds pursuant to
7 subdivision (b) from the General Fund to the Transportation
8 Deferred Investment Fund, each of the transportation programs
9 that was to have been funded during the 2003–04 fiscal year from
10 the Transportation Investment Fund pursuant to Section 7104 of
11 this code shall have received the amount of funding that the
12 program would have received in the absence of the suspension of
13 the transfer pursuant to Section 14557 of the Government Code.

14 ~~(d) To the extent that funds are provided under clauses (iii)~~
15 ~~and (v) of subparagraph (A) of paragraph (1) of subdivision (e)~~
16 ~~of Section 63048.65 of the Government Code to the Traffic~~
17 ~~Congestion Relief Fund for apportionment pursuant to~~
18 ~~subparagraphs (B) and (C) of paragraph (2) of subdivision (e) of~~
19 ~~Section 7104, paragraph (4) of subdivision (e) of Section 7104,~~
20 ~~and paragraph (5) of subdivision (e) of Section 7104, the~~
21 ~~Controller shall deduct an equal amount from any transfer of~~
22 ~~funds from the Transportation Deferred Investment Fund made~~
23 ~~for those apportionments and transfer that amount instead to the~~
24 ~~Traffic Congestion Relief Fund.~~

25 ~~(e) The interest that is to be deposited in the Transportation~~
26 ~~Deferred Investment Fund pursuant to subdivision (b) shall be~~
27 ~~allocated proportionately to each program element in paragraphs~~
28 ~~(2) to (5), inclusive, of subdivision (c) of Section 7104, based on~~
29 ~~the amount that each program did not receive in the 2003–04~~
30 ~~fiscal year due to suspension of the transfer pursuant to Section~~
31 ~~14557 of the Government Code.~~

32 *(e) Four hundred ninety-five million dollars (\$495,000,000) is*
33 *hereby appropriated from the General Fund to the*
34 *Transportation Deferred Investment Fund for the purpose of*
35 *paying a portion of the amount required to be paid pursuant to*
36 *subdivision (b). The Controller shall make the payment*
37 *immediately upon enactment of the statute amending this section*
38 *in the 2005–06 Regular Session. Notwithstanding subdivision (c),*
39 *these funds, shall be distributed as follows:*

1 *(1) The first one hundred ninety-two million dollars*
2 *(\$192,000,000) and any interest due pursuant to this section*
3 *shall remain in the Transportation Deferred Investment Fund to*
4 *be used for projects in the State Transportation Improvement*
5 *Program pursuant to paragraph (3) of subdivision (c) of Section*
6 *7104.*

7 *(2) The next one hundred ninety-two million dollars*
8 *(\$192,000,000) and any interest due pursuant to this section*
9 *shall be distributed to cities and counties, as follows:*

10 *(A) Ninety-six million dollars (\$96,000,000) and any interest*
11 *due pursuant to this section shall be transferred to cities for the*
12 *purposes specified in Section 7104 pursuant to the formula in*
13 *paragraph (5) of subdivision (c) of that section.*

14 *(B) Ninety-six million dollars (\$96,000,000) and any interest*
15 *due pursuant to this section shall be transferred to counties for*
16 *the purposes specified in Section 7104 pursuant to the formula in*
17 *paragraph (4) of subdivision (c) of that section.*

18 *(3) Ninety-six million dollars (\$96,000,000) and any interest*
19 *due pursuant to this section shall be transferred to the Public*
20 *Transportation Account for allocation pursuant to Section 99312*
21 *of the Public Utilities Code.*

22 *(4) Any funds remaining following the distributions required*
23 *by paragraphs (1), (2), and (3) shall be transferred to the Traffic*
24 *Congestion Relief Fund, and shall be deemed to be funds*
25 *received by that fund in the 2003–04 fiscal year.*

26 *(f) The Legislature finds and declares that continued*
27 *investment in transportation is essential for the California*
28 *economy. That investment reduces traffic congestion, assists in*
29 *economic development, improves the condition of local streets*
30 *and roads, and provides high-quality public transportation.*

31 *(g) Notwithstanding any other provision of law, the*
32 *Department of Finance may adjust the budgeting, accounting,*
33 *and reporting system for the Transportation Deferred Investment*
34 *Fund so that unliquidated encumbrances are not reflected in the*
35 *fund balance or financial statement.*

36 *SEC. 7. Section 7106 of the Revenue and Taxation Code is*
37 *amended to read:*

38 7106. (a) On or before June 30, 2008, the Controller shall
39 transfer an amount from the General Fund to the Transportation
40 Deferred Investment Fund that is equal to the amount that was

1 not transferred from the General Fund to the Transportation
2 Investment Fund for the 2004–05 fiscal year because of the
3 suspension of the transfer pursuant to Section 14558 of the
4 Government Code, plus interest calculated at the Pooled Money
5 Investment Account rate relative to the amounts that would
6 otherwise have been available for the transportation programs
7 described in paragraphs (2) to (5), inclusive, of subdivision (c) of
8 Section 7104. The amount to be transferred from the General
9 Fund to the Transportation Deferred Investment Fund shall be
10 reduced by the amount of any payment made to the
11 Transportation Deferred Investment Fund from any funding
12 source.

13 (b) The money deposited in the Transportation Deferred
14 Investment Fund pursuant to this ~~subdivision~~ *section* is
15 continuously appropriated without regard to fiscal years for
16 disbursement in the manner and for the purposes set forth in this
17 section.

18 (c) The Controller, from the money deposited in the
19 Transportation Deferred Investment Fund pursuant to subdivision
20 (a), shall make transfers and apportionments of those funds in the
21 same manner and amounts that would have been made in the
22 2004–05 fiscal year from the Transportation Investment Fund
23 pursuant to Section 7104, as that section read on January 1, 2003,
24 if the transfer of funds from the General Fund to the
25 Transportation Investment Fund had not been suspended for the
26 2004–05 fiscal year pursuant to Section 14558 of the
27 Government Code. It is the intent of the Legislature that upon
28 completion of the transfer of funds pursuant to subdivision (a)
29 from the General Fund to the Transportation Deferred Investment
30 Fund that each of the transportation programs that was to have
31 been funded during the 2004–05 fiscal year from the
32 Transportation Investment Fund pursuant to Section 7104 ~~of the~~
33 ~~Revenue and Taxation Code~~ shall have received the amount of
34 funding that the program would have received in the absence of
35 the suspension of the transfer pursuant to Section 14558 of the
36 Government Code.

37 (d) The interest that is to be deposited in the Transportation
38 Deferred Investment Fund pursuant to subdivision (a) shall be
39 allocated proportionately to each program element in paragraphs
40 (2) to (5), inclusive, of subdivision (c) of Section 7104, based on

1 the amount that each program did not receive in the 2004–05
2 fiscal year due to suspension of the transfer pursuant to Section
3 14558 of the Government Code.

4 *(e) Seven hundred twenty million dollars (\$720,000,000) is*
5 *hereby appropriated from the General Fund to the*
6 *Transportation Deferred Investment Fund for the purpose of*
7 *paying a portion of the amount required to be paid pursuant to*
8 *subdivision (a). The Controller shall make the payment*
9 *immediately upon enactment of the statute amending this section*
10 *in the 2005–06 Regular Session. In addition, two hundred million*
11 *dollars (\$200,000,000) transferred to the Transportation*
12 *Deferred Investment Fund pursuant to subparagraph (F) of*
13 *paragraph (1) of subdivision (a) of Section 7102 shall also be*
14 *available for that purpose. Notwithstanding subdivision (c), these*
15 *funds, totaling nine hundred twenty million dollars*
16 *(\$920,000,000), shall be distributed as follows:*

17 *(1) The first two hundred thirty-two million dollars*
18 *(\$232,000,000) and any interest due pursuant to this section*
19 *shall remain in the Transportation Deferred Investment Fund to*
20 *be used for projects in the State Transportation Improvement*
21 *Program pursuant to paragraph (3) of subdivision (c) of Section*
22 *7104.*

23 *(2) The next two hundred thirty-two million dollars*
24 *(\$232,000,000) and any interest due pursuant to this section*
25 *shall be distributed to cities and counties, as follows:*

26 *(A) One hundred sixteen million dollars (\$116,000,000) and*
27 *any interest due pursuant to this section shall be transferred to*
28 *cities for the purposes specified in Section 7104 pursuant to the*
29 *formula in paragraph (5) of subdivision (c) of that section.*

30 *(B) One hundred sixteen million dollars (\$116,000,000) and*
31 *any interest due pursuant to this section shall be transferred to*
32 *counties for the purposes specified in Section 7104 pursuant to*
33 *the formula in paragraph (4) of subdivision (c) of that section.*

34 *(3) One hundred sixteen million dollars (\$116,000,000) and*
35 *any interest due pursuant to this section shall be transferred to*
36 *the Public Transportation Account for allocation pursuant to*
37 *Section 99312 of the Public Utilities Code.*

38 *(4) Any funds remaining following the distributions required*
39 *by paragraphs (1), (2), and (3) shall be transferred to the Traffic*
40 *Congestion Relief Fund, and shall be deemed to be funds*

1 received by that fund in the 2004–05 fiscal year. It is estimated
2 that the amount to be available under this subparagraph will be
3 three hundred fifteen million dollars (\$315,000,000).

4 SEC. 8. Section 140.3 of the Streets and Highways Code is
5 repealed.

6 ~~140.3.—(a) For the purposes of this section, the following~~
7 ~~terms have the following meanings:~~

8 ~~(1) (A) “Mobile equipment” means devices owned by the~~
9 ~~department by which any person or property may be propelled,~~
10 ~~moved, or drawn on or off highway and that are used for~~
11 ~~employee transportation or material movement, or for~~
12 ~~construction or maintenance work relating to transportation,~~
13 ~~including, but not limited to, passenger vehicles, heavy-duty~~
14 ~~trucks, boats, trailers, motorized construction equipment, and~~
15 ~~“slip-in” accessories or attachments that are used by more than~~
16 ~~one functional unit.~~

17 ~~(B) “Mobile equipment” does not include any of the~~
18 ~~following:~~

19 ~~(i) Office equipment, computers, and any other stationary,~~
20 ~~nonmovable, and integral part of a transportation facility.~~

21 ~~(ii) Passenger vehicles used to transport the public.~~

22 ~~(iii) Aircraft or related aeronautics equipment.~~

23 ~~(iv) Rolling stock used for intercity rail operations.~~

24 ~~(2) “Mobile equipment services” includes, but is not limited~~
25 ~~to, all of the following:~~

26 ~~(A) Use of mobile equipment and services, including, but not~~
27 ~~limited to, the purchase of new vehicles.~~

28 ~~(B) Receiving, servicing, and equipping new mobile~~
29 ~~equipment units.~~

30 ~~(C) Assembling components into completed mobile equipment~~
31 ~~units.~~

32 ~~(D) Managing mobile equipment and services, including, but~~
33 ~~not limited to, payment for fuel and insurance.~~

34 ~~(E) Repairing, rehabilitating, and maintaining mobile~~
35 ~~equipment.~~

36 ~~(F) Disposing of used vehicles.~~

37 ~~(3) “Mobile equipment services cost recovery” means~~
38 ~~revenues from assessments charged to the department’s divisions~~
39 ~~and programs for mobile equipment services, or revenues from~~
40 ~~charges for equipment services provided to local transportation~~

1 authorities, including, but not limited to, cost recovery for all of
2 the following:

3 (A) Salaries and wages.

4 (B) Facility and inventory improvements.

5 (C) Capital outlay support projects.

6 (D) Overhead, depreciation, and operating expenses.

7 (b) The department, with the approval of the Department of
8 Finance, shall set rates for mobile equipment services. The
9 department shall review its rates on an annual basis and, upon
10 approval by the Department of Finance, shall publish a rate
11 schedule on or before April 30 of each year. The department
12 shall collect mobile equipment services cost recovery.

13 (c) The Equipment Service Fund is hereby created in the State
14 Treasury. Notwithstanding Section 13340, all money in the fund
15 is continuously appropriated to the department to pay for mobile
16 equipment services.

17 (d) The net proceeds from mobile equipment services cost
18 recovery shall be deposited in the fund. In addition, any moneys
19 appropriated to the department under the annual Budget Act, or
20 under any other act, for the use of existing mobile equipment or
21 for the purchase of that equipment, and any moneys transferred
22 to the department from any account within the State
23 Transportation Fund for those purposes, may be deposited in the
24 fund.

25 (e) If the balance remaining in the fund at the end of any fiscal
26 year exceeds the amount allowable for billed central services
27 under the Federal Office of Management and Budget Circular
28 A-87 or superseding circular, as determined by the department
29 and the Department of Finance, the balance shall be treated
30 consistent with the requirements of the Federal Office of
31 Management and Budget Circular A-87 or superseding circular.

32 *SEC. 9. Section 140.3 is added to the Streets and Highways*
33 *Code, to read:*

34 *140.3. Effective June 30, 2006, the Equipment Service Fund*
35 *in the State Treasury is abolished and all monies in the fund shall*
36 *be transferred to the State Highway Account in the State*
37 *Transportation Fund. Any outstanding liabilities and*
38 *encumbrances of the Equipment Service Fund as of June 30,*
39 *2006, shall become liabilities and encumbrances payable from*
40 *the State Highway Account.*

1 *SEC. 10. This act is an urgency statute necessary for the*
2 *immediate preservation of the public peace, health, or safety*
3 *within the meaning of Article IV of the Constitution and shall go*
4 *into immediate effect. The facts constituting the necessity are:*

5 *In order to implement transportation financing changes*
6 *relative to the Budget Act of 2006, it is necessary that this act*
7 *take effect immediately.*

8 ~~SECTION 1.—It is the intent of the Legislature to enact~~
9 ~~statutory changes relating to the Budget Act of 2006.~~